

# TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER:

03-027

2. STATE:

CA

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR  
HEALTH CARE FINANCING ADMINISTRATION  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

August 1, 2004

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN

☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN

☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

Sec. 1902[424.S.C.1396a]

7. FEDERAL BUDGET IMPACT:

a. FFY 03-04 \$ 0

b. FFY 04-05 \$ 0

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-D pages 15-15.3

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):

Attachment 4.19-D Pages 15.2-15.3  
(no new page)

10. SUBJECT OF AMENDMENT:

Freeze of 2003 Medi-Cal Long Term Rates for the 2004-2005 fiscal year.

11. GOVERNOR'S REVIEW (Check One):

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT

☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED

☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☒ OTHER, AS SPECIFIED:

The Governor's office does not wish to review State Plan Amendment

12. SIGNATURE OF STATE AGENCY OFFICIAL:



13. TYPED NAME:

Stan Rosenstein

14. TITLE:

Deputy Director

15. DATE SUBMITTED:

NOV 14

16. RETURN TO:

Department of Health Services  
Attn: State Plan Coordinator  
1501 Capitol Avenue  
Suite 71.4001  
Sacramento, CA 95814

17. DATE RECEIVED	18. DATE APPROVED
19. EFFECTIVE DATE OF APPROVED MATERIAL	20. SIGNATURE OF REGIONAL OFFICIAL
21. TYPED NAME	22. TITLE
23. REMARKS	

shall establish the facility's historical-costs basis by combining the freestanding NF-B and DP/NF-B total patient days and costs. Newly licensed DP/NF-Bs shall receive prospective rates based on available freestanding NF-B cost reports until the Department uses the consolidated hospital DP/NF-B cost report and/or audit in the appropriate rate study.

Newly licensed DP/NF-Bs without historical costs of providing NF-B services shall receive an interim reimbursement rate. This interim rate shall be based on the DP/NF-B's projection of their total patient days and costs, as approved by the Department. When actual DP/NF-B audit report data becomes available, interim rates will be retroactively adjusted to the DP/NF-Bs final prospective rate. Final DP/NF-B rates may be less than the interim rate, in which case the Department shall recover any overpayment.

- H. Subacute providers that do not have historical costs shall receive an interim reimbursement rate. This interim rate shall be based on the subacute facility's projection of their total patient days and costs, as approved by the Department. When actual subacute audit report data becomes available, interim rates will be retroactively adjusted to the subacute facility's final prospective rate. Final rates may be less than the interim rate, in which case the Department shall recover any overpayment. Only subacute providers participating in the program as of June 1st will be included in the rate study.
- I. Notwithstanding Paragraphs A. through G. of this Section, San Mateo County Hospital shall receive an interim reimbursement rate for the skilled nursing facility located at 1100 Trousdale Drive in Burlingame, California. The interim rate will be effective on August 1, 2003 and will be equal to the hospital DP/NF rates of its existing DP/NF skilled nursing facility located at 222 West 39<sup>th</sup> Avenue in San Mateo, California. The interim rate will apply through July 31, 2006.
- J. In accordance with Section 14105.06 of the Welfare and Institutions Code and notwithstanding paragraphs A through F of this Section, all Medi-Cal long-term care facility rates that went into effect August 1, 2003, will remain unchanged through July 31, 2005, and be in effect for the period August 1, 2003, through July 31, 2005. This provision applies to all long-term care facility types (except those operated by the State), including the following:
  - 1. Freestanding nursing facilities licensed as any of the following:
    - (a) A skilled nursing facility pursuant to subdivision (c) of Section 1250 of the Health and Safety Code.

(b) An intermediate care facility pursuant to subdivision (d) of Section 1250 of the Health and Safety Code.

(c) An intermediate care facility for the developmentally disabled pursuant to subdivision (e), (g), or (h) of Section 1250 of the Health and Safety Code.

2. A skilled nursing facility that is a distinct part of a general acute care hospital as defined in Section 72041 of Title 22 of the California Code of Regulations.
3. A subacute care program, as described in Section 14132.25 or subacute care unit, as described in Sections 51215.5 and 51215.8 of Title 22 of the California Code of Regulations.
4. An adult day health care center.

#### V. DETERMINATION OF RATES FOR NEW OR REVISED PROGRAMS

- A. When the State adopts a new service or significantly revises an existing service, the rate of reimbursement shall be based upon comparable and appropriate cost information which is available. Comparable rate and cost data shall be selected and combined in such a manner that the rate is reasonably expected to approximate median audited facility costs, had accurate cost reports been available for the particular class of facility. Such factors as mandated staffing levels and salary levels in comparable facilities shall be taken into account. This method of rate-setting shall ordinarily be relied upon to set rates only until such time as accurate cost reports which are representative of ongoing operations become available.
- B. When it is determined that cost report data from a class of facilities is not reliable for rate-setting purposes due to inaccuracies or reporting errors, a random sample of such facilities shall be selected for audit and the resulting audited costs shall be used for the rate study.
- C. After five years from the end of the fiscal year in which a facility begins participating in a program for Medi-Cal reimbursement, the reimbursement rate methodology will either revert to the provisions described in Section I through IV of Attachment 4.19-D or be subject to new provisions as described in a State Plan amendment.

DEC 09 2003

TN 03-027  
Supersedes  
TN 02-023

Approval Date \_\_\_\_\_ Effective Date August 1, 2004